

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
HANCOCK, MICHIGAN

FINANCIAL STATEMENTS
WITH SUPPLEMENTAL FINANCIAL INFORMATION

June 30, 2007

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT

JUNE 30, 2007

ADMINISTRATION

Superintendent	Dennis Harbour
Director of Special Education	Sharon Arend
Director of Career & Technical Education	William J. Rivest
Supervisor, Special Education - Learning Center	Christine Salo
Supervisor, Special Education - Learning Center	Emilie Krznarich
Director, REMC Region I	Mike Richardson
Director, Western U.P. Science/Math Center	Shawn Oppliger
Business Manager	Kenneth A. Maki

BOARD OF EDUCATION

President	Lois A. Kemppainen
Vice President	Albert A. Koskela
Treasurer	Robert L. Roy
Secretary	Nels S. Christopherson
Trustee	Gale W. Eilola
Trustee	Karen M. Johnson
Trustee	Robert C. Tuomi

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	5
MANAGEMENT'S DISCUSSION AND ANALYSIS	7
BASIC FINANCIAL STATEMENTS:	
<u>District Wide Financial Statements:</u>	
Statement of Net Assets	14
Statement of Activities	15
<u>Fund Financial Statements:</u>	
Governmental Funds:	
Balance Sheet	16
Statement of Revenues, Expenditures, and Changes in Fund Balance	17
NOTES TO FINANCIAL STATEMENTS	18
REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION	
Budgetary Comparison Schedule - General Fund	30
Budgetary Comparison Schedule - Special Education Fund	31
Budgetary Comparison Schedule - Regional Media Education Center Fund	32
OTHER SUPPLEMENTAL FINANCIAL INFORMATION	
<u>Major Governmental Funds</u>	
General Fund - Statements of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual	34
Special Education Fund - Statements of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual	37
Regional Media Educational Center Fund - Statements of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual	39
<u>Non-Major Governmental Funds</u>	
School Food Service Fund - Statements of Revenues, Expenditures, and Changes in Fund Balances Budget to Actual	40

TABLE OF CONTENTS
(Continued)

	<u>Page</u>
FEDERAL AWARD PROGRAMS:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	42
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	44
Schedule of Expenditures of Federal Awards	46
Schedule of Federal Financial Assistance Provided to Sub-Recipients	49
Notes to the Schedule of Expenditures of Federal Awards	50
Schedule of Findings and Questioned Costs	51
LETTER OF COMMENTS AND RECOMMENDATIONS	52



Bruce A Rukkila, CPA, PC



310 Shelden Avenue • Houghton MI 49931
(906) 482-6601 • Fax: (906) 482-9046
e-mail: help@brucerukkila.com
www.bruцерukkila.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Copper Country Intermediate School District
Hancock, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Copper Country Intermediate School District as of and for the year then ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Copper Country Intermediate School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Michigan School Auditing Manual*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Copper Country Intermediate School District as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 30, 2007 on our consideration of the Copper Country Intermediate School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 7 through 13 and 30 through 32, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express any opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Copper Country Intermediate School District's basic financial statements. The additional information on pages 34 to 40 is presented for purposes of additional analysis and is not a required part of the basic financial statement. The accompanying schedule of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basis financial statements of the Copper Country Intermediate School District. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bruce A. Rukhila, CPA, PC

Certified Public Accountants

October 30, 2007

Copper Country Intermediate School District
Management's Discussion and Analysis
June 30, 2007

This section of the Copper Country Intermediate School District's annual financial report presents management's discussion and analysis of the District's financial performance during the year ended June 30, 2007. Please read it in conjunction with the District's financial statements, which immediately follows this section.

Financial Overview

During the 2006-07 fiscal year, the Copper Country Intermediate School District Board of Education and its administrative staff initiated several capital improvement projects. Some of the projects have impacted the 2006-07 budget, and others will be paid for during the 2007-08 fiscal year. All of the projects mentioned below are designed to upgrade and improve efficiency of the current infrastructure.

- Installation of an air conditioning unit for the computer server room, which services the area wide computer network.
- Installation of a membrane roof system.
- Upgrading of the electrical system in the Learning Center classroom area.
- Upgrading of the boiler system from steam to hot water.

In addition, the Board of Education also purchased a 2006 International lift bus, as part of a continued effort to upgrade the District's aging fleet.

During the 2006-07 fiscal year, the District continued to administer the Carol M. White Physical Education Grant (Pep Grant). The grant was designed to purchase and distribute physical education equipment and supplies, as well as provide professional development training for teachers in the Western U.P. school districts, including both the Copper Country ISD and Gogebic-Ontonagon ISD. Approximately \$500,000 in resources and support was distributed to districts during the 2006-07 fiscal year; the second year of a three year grant.

Overview of the Financial Statements

The annual report consists of a series of financial statements including other requirements as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consists of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the District as a whole and represent an overall view of the District's finances.

Statement of Net Assets and the Statement of Activities

These statements provide information that help determine how the District is doing financially as a result of the year's activities. The statements are shown using a full accrual basis.

The District's net assets and the changes in the net assets during the year are reported by these two statements. Increases or decreases in the District's net assets is one way to determine if the financial position of the District is improving or deteriorating. However, non-financial factors will need to be considered as well to determine the overall financial position of the District.

Overview of the Financial Statements (Continued)

- Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. These statements also report the District's operations in more detail than the Government-wide Financial Statements by providing information about the most significant funds.

The fund level financial statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

In the fund financial statements purchased capital assets are reported as expenditures in the year of acquisition. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Special Education Fund, REMC, and School Food Service Fund.

Major Funds: Under GASB Statement 34, the audit focus has shifted from type of governmental fund to major funds. Major funds are the largest funds in terms of assets, liabilities, revenues or expenses/expenditures. This allows the reader to see more detailed activity of the major funds. For the District, the General Fund, Special Education Fund and REMC meet this requirement

Non-major Funds: In the basic financial statements, non-major funds are consolidated into one column. These are smaller funds. Detailed information about non-major funds can be found after the notes to the financial statements.

- Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required supplementary information, other than Management Discussion and Analysis, provides information about the required budgetary comparison information on the general fund.
- Other supplementary information provides detailed information about the General, Special Education, and School Food Service Funds.

Copper Country Intermediate School District
Management's Discussion and Analysis
June 30, 2007

Summary of Net Assets

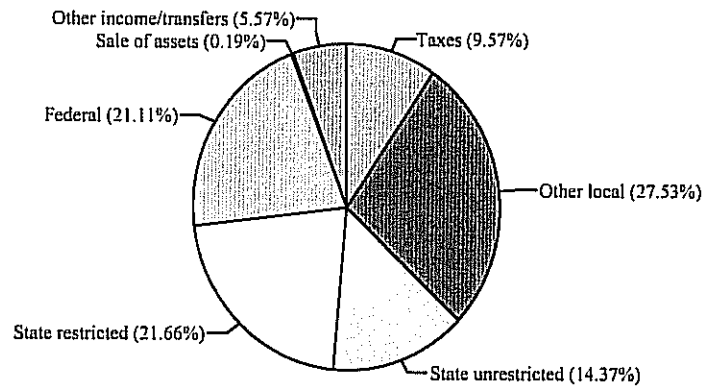
	2007	2006
Assets		
Current and other assets	\$ 2,775,870	\$ 2,718,171
Capital assets - Net of accumulated depreciation	1,886,546	1,791,245
Total Assets	<u>\$ 4,662,416</u>	<u>\$ 4,509,416</u>
Liabilities		
Current liabilities	\$ 1,111,086	\$ 975,211
Long-term liabilities	743,476	732,890
Total Liabilities	<u>1,854,562</u>	<u>1,708,101</u>
Net Assets		
Invested in property and equipment - net of related debt	1,569,537	1,434,007
Unrestricted	1,238,317	1,367,304
Total net assets	<u>2,807,854</u>	<u>2,801,311</u>
Total Liabilities and Net Assets	<u>\$ 4,662,416</u>	<u>\$ 4,509,412</u>

Results of Operations in Governmental Activities

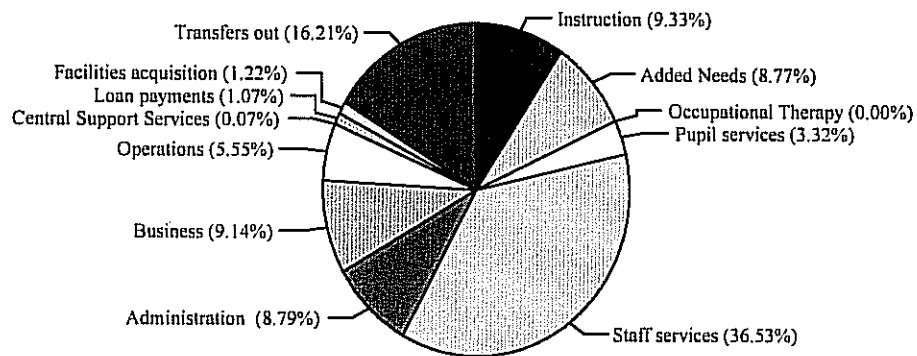
	2007	2006
Program Revenue:		
Charges for services	\$ 1,113,057	\$ 1,084,288
Grants and contributions	4,292,338	4,339,392
General Revenue:		
Property taxes	1,818,989	1,766,274
State foundation allowance	605,207	587,208
Other	198,758	(61,263)
Total Revenue	<u>8,028,349</u>	<u>7,715,899</u>
Functions/Program Expenses		
Instruction	2,058,879	2,041,052
Support services	5,041,560	4,808,625
Food services	16,603	16,662
Regional Educational Media Center	904,764	847,248
Interest on long-term debt	0	9,540
Total Expenses	<u>8,021,806</u>	<u>7,723,127</u>
Change in Net Assets	<u>6,543</u>	<u>(7,228)</u>
Net Assets - Beginning	<u>2,801,311</u>	<u>2,808,539</u>
Net Assets - Ending	<u>\$ 2,807,854</u>	<u>\$ 2,801,311</u>

The following charts highlight the District's General Fund activities:

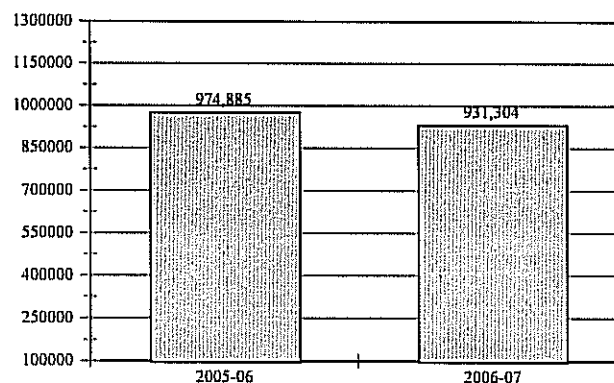
2006-07 Revenues



2006-07 Expenditures

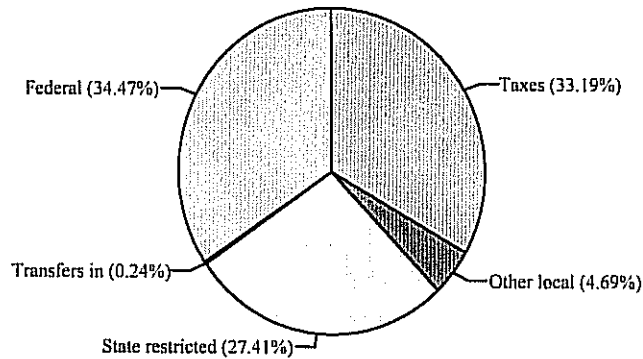


Fund Balance Comparison

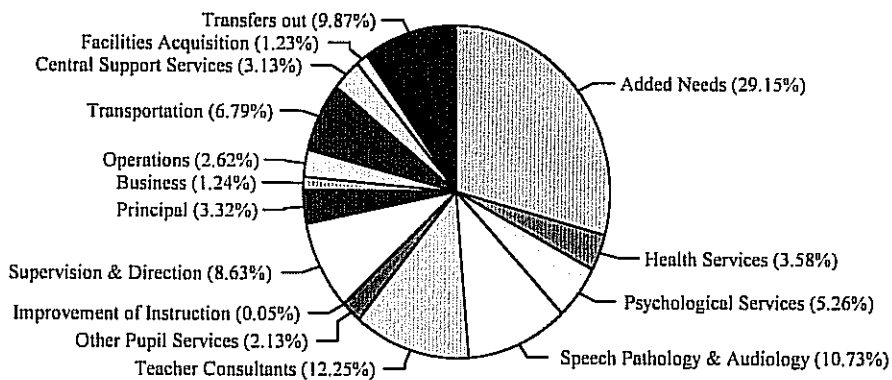


The following charts highlight the District's Special Education Fund activities:

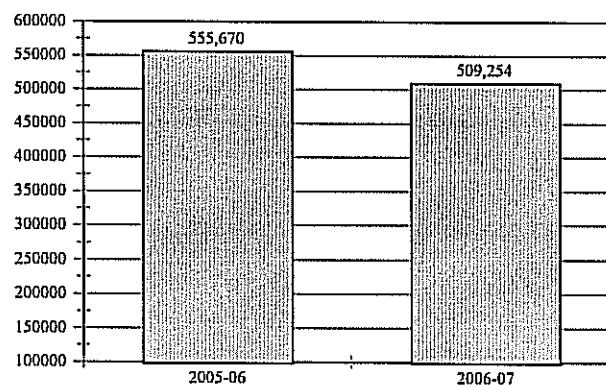
2006-07 Revenues



2006-07 Expenditures



Fund Balance Comparison



**Copper Country Intermediate School District
Management's Discussion and Analysis
June 30, 2007**

Significant Transactions and Changes in Individual Funds

The overall financial position of the individual Governmental funds of the District did not change significantly from the previous year. A comparison of revenues/transfers, expenditures/transfers and fund balances is as follows:

	<u>Current Year</u>	<u>Prior Year</u>	<u>Change</u>
General Fund:			
Revenues/Transfers	\$ 3,592,395	\$ 3,351,190	\$ 241,205
Expenditures/Transfers	\$ 3,635,976	\$ 3,454,242	\$ 181,734
Fund Balance	\$ 931,304	\$ 974,885	\$ (43,581)
Special Education Fund:			
Revenues/Transfers	\$ 4,444,927	\$ 4,504,897	\$ (59,970)
Expenditures/Transfers	\$ 4,491,343	\$ 4,437,223	\$ 54,120
Fund Balance	\$ 509,254	\$ 555,670	\$ (46,416)
REMC Fund:			
Revenues/Transfers	\$ 1,007,165	\$ 927,823	\$ 79,342
Expenditures/Transfers	\$ 1,015,634	\$ 865,189	\$ 150,445
Fund Balance	\$ 268,362	\$ 276,831	\$ (8,469)
School Food Service Fund:			
Revenues/Transfers	\$ 15,524	\$ 17,420	\$ (1,896)
Expenditures/Transfers	\$ 16,603	\$ 16,662	\$ (59)
Fund Balance	\$ 5	\$ 1,084	\$ (1,079)

General Fund - Revenue and expenditures increased primarily from a school improvement grant administered by Office of Safe and Drug-Free Schools. The District was awarded the Carol M. White Physical Education Program (Pep Grant) for two years. This year the District received \$439,399.

Special Education Fund - Special revenue decreased in Flow-Through grant revenue, Medicaid Outreach revenue and Early-On revenue.

REMC - Revenues increased in amount from other school districts and miscellaneous revenues. Fixed asset purchases for REMC totaled \$148,118, which included two cars, computer/server equipment, and packet shaper.

School Food Service Fund - The Food Service program for the District has required a small operating transfers from the Special Education Fund in recent years.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the annual budget prior to the start of the fiscal year on July. Any amendments to the original budget must be approved by the Board prior to the close of the fiscal year on June 30.

For the fiscal year ended June 30, 2007, the original budget was adopted on June 20, 2006. Since the original budget is adopted two months before school is in session, there are often many unanticipated changes to the budget, as originally adopted. These unknowns can have a significant impact on the budget. Often there are a number of unforeseen events that occur throughout the year that impact the budget and/or cause budget variances. Therefore, the District amended its budget twice during the fiscal year, for these unforeseen changes.

**Copper Country Intermediate School District
Management's Discussion and Analysis
June 30, 2007**

General Fund Budgetary Highlights (Continued)

	Original Budget	Final Budget	Actual	Variance with final budget	% Variance
Revenues	\$ 2,805,796	\$ 3,183,388	\$ 2,727,091	\$ (456,297)	-16.7%
Expenditures					
Instruction	\$ 684,172	\$ 833,027	\$ 657,844	\$ 175,183	26.6%
Supporting services	2,930,529	2,704,712	2,305,463	399,249	17.3%
Total expenditures	\$ 3,614,701	\$ 3,537,739	\$ 2,963,307	\$ 574,432	19.4%
Other financing sources (uses)	\$ 728,905	\$ 226,366	\$ 192,635	\$ 33,731	17.5%

The variances between revenue and expenditures represent various grant revenues that were expected to be expended before the year end. The grants include the Math and Science, Great Parents, Pep Grant, NMU Manufact, CTE, and the State Health. Some of these grants have been deferred at year end.

Capital Assets and Debt Administration

Capital Assets: The District's net investment in capital assets increased by \$95,301 during the fiscal year. Additions included air conditioning installation, bus purchase, computer equipment, two cars and a snow plow truck. No debt was issued for these additions. The disposals consisted of copiers, computer equipment and a snow plow truck.

Additional information on the District's capital assets can be found on page 24 of this report.

Long-term Debt: At the end of the current fiscal year, the Districts total debt was \$314,181. This total amount is backed by the full faith and credit of the District. The District's total long-term debt was decreased by \$39,119 during the fiscal year.

Additional information on the District's long-term debt can be found on page 25 of this report.

Known Facts, Decisions, or Conditions Having Significant Affect on Future Operations

Durant Bond Payments

As part of the Durant settlement, non plaintiff school districts entitled to receive amounts greater than \$75,000 were offered a bonding option. The School District participated in the bonding option and on November 24, 1998 issued \$437,233 in school improvement bonds for the purpose of technology expenses and construction/renovation for the Career Center building. The balance of the bond issue is \$258,170 and was refinanced during 2007.

Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Copper Country Intermediate School District.

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT**STATEMENT OF NET ASSETS****June 30, 2007**

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 585,977
Investments	1,304,280
Taxes receivable	102,313
Accounts receivable	233,197
Prepaid expense	22,860
Other assets	8,200
Due from other governmental units	<u>519,043</u>
TOTAL CURRENT ASSETS	<u>2,775,870</u>
NON-CURRENT ASSETS:	
Capital assets	4,827,200
Less: Accumulated depreciation	<u>(2,940,654)</u>
TOTAL NON-CURRENT ASSETS	<u>1,886,546</u>
TOTAL ASSETS	<u>\$ 4,662,416</u>
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	\$ 468,267
Accrued expenses	208,184
Accrued interest	2,827
Deferred revenue	388,675
Other liabilities	1,819
Notes payable within one year	<u>41,314</u>
TOTAL CURRENT LIABILITIES	<u>1,111,086</u>
NON-CURRENT LIABILITIES:	
Bonds payable, due in more than one year	258,170
Installment loans payable, due in more than one year	14,698
Compensated absences	<u>470,608</u>
TOTAL NON-CURRENT LIABILITIES	<u>743,476</u>
TOTAL LIABILITIES	<u>1,854,562</u>
NET ASSETS:	
Invested in capital assets, net of related debt	1,569,537
Unreserved	<u>1,238,317</u>
TOTAL NET ASSETS	<u>2,807,854</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,662,416</u>

The accompanying notes to the financial statements are an integral part of this statement.

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

	<u>Program Revenues</u>			<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
<u>FUNCTIONS/PROGRAMS</u>				
Government Activities:				
Instruction and instructional support	\$ 2,058,879	\$ 914,570	\$ 3,242,119	\$ 2,097,810
Support services	5,041,560	-	1,038,476	(4,003,084)
Community services	-	33,340	-	33,340
Food service	16,603	1,161	8,363	(7,079)
Regional Media Educational Center	904,764	163,986	3,380	(737,398)
Total Governmental Activities	<u>\$ 8,021,806</u>	<u>\$ 1,113,057</u>	<u>\$ 4,292,338</u>	<u>(2,616,411)</u>
General Revenues:				
Taxes				
Property taxes, levied for general operations				1,796,871
Other taxes				22,118
State school aid - unrestricted				605,207
Interest and investment earnings				98,937
Other				477,047
Sale of assets				7,708
Transfers				<u>(384,934)</u>
Total general revenues and transfers				<u>2,622,954</u>
Change in Net Assets				6,543
Net Assets - Beginning				<u>2,801,311</u>
Net Assets - Ending				<u>\$ 2,807,854</u>

The accompanying notes to the financial statements are an integral part of this statement.

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2007

	General	Special Education	REMC	Other Non-major Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and cash equivalents	\$ 106,777	\$ 300,284	\$ 178,911	\$ 5	\$ 585,977
Investments	620,325	683,955	-	-	1,304,280
Taxes receivable	18,387	83,926	-	-	102,313
Accounts receivable	141,081	570	91,546	-	233,197
Prepaid expense	10,470	12,390	-	-	22,860
Other assets	8,200	-	-	-	8,200
Due from other governmental units	255,757	257,210	6,076	-	519,043
Due from other funds	163,841	6,586	-	-	170,427
TOTAL ASSETS	\$ 1,324,838	\$ 1,344,921	\$ 276,533	\$ 5	\$ 2,946,297
LIABILITIES:					
Accounts payable	\$ 102,001	\$ 366,266	\$ -	\$ -	\$ 468,267
Accrued expenses	68,489	137,365	2,330	-	208,184
Due to other funds	6,027	158,559	5,841	-	170,427
Deferred revenue	215,198	173,477	-	-	388,675
Other liabilities	1,819	-	-	-	1,819
TOTAL LIABILITIES	393,534	835,667	8,171	-	1,237,372
FUND BALANCES:					
Unreserved	931,304	509,254	268,362	5	1,708,925
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,324,838	\$ 1,344,921	\$ 276,533	\$ 5	
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.					1,886,546
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds.					(784,790)
Accrued interest is not included as a liability in governmental funds					(2,827)
Net assets of governmental activities					<u>\$ 2,807,854</u>

The accompanying notes to the financial statements are an integral part of this statement.

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2007

	General	Special Education	REMC	Other Non-major Governmental Funds	Totals
REVENUES:					
Local sources	\$ 674,290	\$ 1,683,621	\$ 469,113	\$ 1,161	\$ 2,828,185
State sources	1,294,340	1,218,367	82,335	104	2,595,146
Federal sources	758,461	1,532,099	3,380	8,259	2,302,199
Total revenues	<u>2,727,091</u>	<u>4,434,087</u>	<u>554,828</u>	<u>9,524</u>	<u>7,725,530</u>
EXPENDITURES:					
Instruction	657,844	1,309,407	-	-	1,967,251
Supporting services	2,305,463	2,683,456	-	-	4,988,919
Food Service	-	-	-	16,603	16,603
REMC	-	-	1,015,634	-	1,015,634
Total expenditures	<u>2,963,307</u>	<u>3,992,863</u>	<u>1,015,634</u>	<u>16,603</u>	<u>7,988,407</u>
Excess (deficiency) of revenue over expenditures	<u>(236,216)</u>	<u>441,224</u>	<u>(460,806)</u>	<u>(7,079)</u>	<u>(262,877)</u>
OTHER FINANCING SOURCES (USES):					
Proceeds from the sale of assets	6,987	-	721	-	(7,708)
Operating transfers in (out)	(45,583)	(16,540)	56,123	6,000	-
Other incoming transfers	837,773	10,840	395,493	-	1,244,106
Other outgoing transfers	(543,886)	(426,763)	-	-	(970,649)
Other transactions	20,544	-	-	-	(20,544)
Facilities acquisition	(44,273)	(55,177)	-	-	(99,450)
Loan payments	(38,927)	-	-	-	(38,927)
Total other financing sources (uses)	<u>(192,635)</u>	<u>(487,640)</u>	<u>452,337</u>	<u>6,000</u>	<u>(163,332)</u>
NET CHANGE IN FUND BALANCE	(43,581)	(46,416)	(8,469)	(1,079)	(99,545)
FUND BALANCES - BEGINNING OF YEAR	<u>974,885</u>	<u>555,670</u>	<u>276,831</u>	<u>1,084</u>	
FUND BALANCES - END OF YEAR	<u>\$ 931,304</u>	<u>\$ 509,254</u>	<u>\$ 268,362</u>	<u>\$ 5</u>	

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds do not record depreciation and report capital outlays as expenditures; in the statement of activities, these costs are capitalized and allocated over their estimated useful lives as depreciation	95,301
Accrued expenses are recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	(28,332)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	39,119
Changes in net assets of governmental activities	<u>\$ 6,543</u>

The accompanying notes to the financial statements are an integral part of this statement.

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Copper Country Intermediate School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant District accounting policies are described below.

REPORTING ENTITY

Copper Country Intermediate School District (the "District") is governed by the Copper Country Intermediate School Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the constituent's districts and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement Numbers 14 and 39.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues and are reported as general revenues.

In the government-wide statement of net assets, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term receivables as well as long-term debt obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted for debt service; and unreserved net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues and other revenues). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenue must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The District does allocate indirect costs.

The government-wide focus is more on the sustain ability of the District as an entity and the change in the District's net assets resulting from the current year's activities

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government unit.

Fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting. The District does not have fiduciary funds.

The School District reports the following governmental funds:

General Fund - The General Fund is the general operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the activities of specific school service revenue sources such as the Special Education, School Food Service, and Regional Educational Media Center (REMC).

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. During the current fiscal year there was no activity in the Debt Service Fund.

Accrual Method

The government-wide financials statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

Modified Accrual Method

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2007, the foundation allowance was based on pupil membership counts taken in February and September of 2006.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The State revenue is recognized during the foundation period and is funded through payments from October 2006 to August 2007. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Other Accounting Policies

Cash and cash equivalents - Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No. 40, Deposits and Investment Risk Disclosures. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

Michigan law authorizes the District to deposit and invest in:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State. In a primary or fourth class school district, the bonds, bill or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
2. Certificates of deposits issued by the State or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
4. Securities issued or guaranteed by agencies or instrumentalities of the United States, United States government or federal agency obligation repurchase agreements, and bankers' acceptance issued by a bank that is a member of the federal deposit insurance corporation.

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a school district.
6. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

Property Taxes

Property taxes levied by the District are collected and are periodically remitted to the District by cities, townships and schools in the counties of Baraga, Houghton, Ontonagon, and Keweenaw. The taxes are levied and become a lien as of December 1 and are due upon receipt of the billing by the taxpayer and becomes a lien on the first day of the levy year. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2007, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund	.3929
Special education	1.697

Receivables and Payables

Activity between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of allowance for uncollectibles.

Inventory

The School District utilizes the purchase method of recording inventories of materials and supplies. Under the purchase method, inventories are recorded as expenditures when they are purchased.

Capital Assets

Capital assets, which include land, buildings, equipment, site improvements, and vehicles are reported in the applicable governmental activities column in the district wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair & maintenance that do not add to the value or materially extend asset lives are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Benefits

The liabilities for accrued benefits reported in the district wide statements in the amount of \$470,608, consisted of vacation and sick leave balances. The District, as part of the various employment contracts with its personnel, allows annual sick and vacation days. Each employment contract specifies an accumulation policy for unused sick and vacation days, as follows:

Sick Leave - All professional employees are allowed to accumulate sick days to a maximum of 180 days and non-professional 170 days. Sick days vest to the employee and are payable upon retirement at the lesser of 50% or \$7,500 (professional)/ \$6,000 (nonprofessional). Certain school employees (administrative staff, secretaries, and other) are allowed to accumulate vacation days to a maximum of 30 days. Liability of the District for the employees' unused sick leave days at June 30, 2007 is \$409,201.

Vacation Days - Various employees of the District are allowed to accumulate vacation days in the year when they are earned. Liability of the District for the employees' unused vacation days at June 30, 2007 is \$61,406.

Long-term Obligations

In the district wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Reclassification

Certain items in the prior year financial statements have been reclassified to conform with the current year presentation.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The School District follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. A public hearing is held to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978) enacted at a regular meeting by School Board approval. The Act provides that a local unit shall not incur expenditures in excess of the amount appropriated.
4. During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.
7. Budget appropriations lapse at the end of the fiscal year.

In the body of the financial statements, the School's actual and budgeted expenditures have been shown on a functional basis. Violations, if any, for the general fund are noted in the required supplementary information section.

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2007

NOTE C - CASH AND INVESTMENTS

As of June 30, 2007 the District had the following investments:

Investment Type	Fair Value	Rating	%
MILAF - MIMAX	\$ 731,124	AAA	56.06%
MILAF - TERM C	400,000	AAA	231.01%
MILAF - CASH	173,156	AAA	13.28%
TOTAL	<u>\$1,304,280</u>		<u>69.33%</u>

Interest Rate Risk - In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit Risk - State law limits investments in commercial paper corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of Credit Risk - The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial Credit Risk - Deposits - In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2007, \$593,914 of the District's bank balance of \$1,051,642 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Custodial Credit Risk - Investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

At year-end, the School District's cash deposits (checking, savings and certificates of deposit) and investments were reported in the basic financial statements in the following categories and breakdown between deposits and investments for the School District is as follows:

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2007

NOTE C - CASH AND INVESTMENTS (Continued)

	Governmental Activities
Unrestricted cash	\$ 585,977
Investments	1,304,280
Total deposits and investments	<u>\$ 1,890,257</u>

NOTE D - RECEIVABLES

Receivables from governmental units at June 30, 2007 consist of the following:

	General	Special Education	REMC	Total
State	\$ 153,294	\$ 217,928	\$ 6,076	\$ 377,298
Local	51,000	0	0	51,000
Federal	51,463	39,282	0	90,745
	<u>\$ 255,757</u>	<u>\$ 257,210</u>	<u>\$ 6,076</u>	<u>\$ 519,043</u>

NOTE E - CAPITAL ASSETS

Capital Asset activity of the District's governmental activities was as follows:

	Balance 06/30/06	Additions	Deletions	Balance 06/30/07
Land	\$ 50,000	\$ 0	\$ 0	\$ 50,000
Building and additions	1,999,796	0	0	1,999,796
Building improvements	677,816	36,970	0	714,786
Site improvements	115,660	0	0	115,660
Equipment, furniture and fixtures	1,415,399	160,272	62,560	1,513,111
Vehicles	67,403	49,275	24,500	92,178
School buses	284,525	57,144	0	341,669
Subtotal	<u>4,610,599</u>	<u>\$ 303,661</u>	<u>\$ 87,060</u>	<u>4,827,200</u>
Accumulated depreciation:				
Building and additions	1,195,911	\$ 54,250	\$ 0	1,250,161
Building improvements	247,678	29,193	0	276,871
Site improvements	44,201	5,783	0	49,984
Equipment, furniture and fixtures	1,018,673	78,021	51,064	1,045,630
Vehicles	57,612	5,154	24,500	38,266
School buses	255,279	24,463	0	279,742
	<u>2,819,354</u>	<u>\$ 196,864</u>	<u>\$ 75,564</u>	<u>2,940,654</u>
Net capital assets	<u>\$ 1,791,245</u>			<u>\$ 1,886,546</u>

Depreciation expense was charged to governmental activities of the District as follows:

Instructional	\$ 115,550
Supporting Services	55,561
REMC	<u>25,753</u>
Total	<u>\$ 196,864</u>

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2007

NOTE F - INTER-FUND RECEIVABLES, PAYABLES, AND TRANSFERS

Amounts due from (to) other funds represent the balance of monies due from or to other funds for expenditures made or fund balance transfers approved. The amounts of inter-fund receivables and payables as of June 30, 2007 are as follows:

<u>Fund</u>	<u>Inter-fund Receivable</u>	<u>Fund</u>	<u>Inter-fund Payable</u>
General	\$ 163,841	General	\$ 6,027
Special Education	6,586	Special Education	158,559
REMC	0	REMC	5,841
TOTAL	<u>\$ 170,427</u>	TOTAL	<u>\$ 170,427</u>

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
Food Service	\$ 6,000	General	\$ 45,583
REMC	56,123	Special Education	16,540
TOTAL	<u>\$ 62,123</u>	TOTAL	<u>\$ 62,123</u>

NOTE G - LONG TERM DEBT

INSTALLMENT LOANS

The School District has an unsecured installment note payable with Superior National Bank. Original issue date was July 16, 1999 for \$375,000 with an 4.84% interest rate. The note matures on December 1, 2008.

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007-2008	\$ 41,313	\$ 2,410	\$ 43,723
2008-2009	14,698	417	15,115
	<u>\$ 56,011</u>	<u>\$ 2,827</u>	<u>\$ 58,838</u>

DURANT BOND

As part of the Durant settlement, non plaintiff school districts entitled to receive amounts greater than \$75,000 were offered a bonding option. The School District participated in the bonding option and on November 24, 1998 issued \$437,233.50 in school improvement bonds for the purpose of technology expenses and construction/renovation for the Career Center building.

The bond issue matures as indicated below with interest not to exceed 8% per annum. Interest payments began on May 15, 2000 and are payable annually thereafter on May 15 as indicated. The annual payments will be appropriated by the State of Michigan and will be the only revenue source for making the annual debt service payment on the bonds. The District is under no obligation to make the annual payment in any year the legislature fails to appropriate the proper amount of funds.

The bond is not subject to redemption prior to maturity and the School District will not issue any other bonds or obligations for the purpose of refunding this bond. Even though the State of Michigan will be appropriating funds to pay the principal and interest, the bond is the obligation of the School District, not the State.

As part of the State of Michigan Executive Budget Recommendation for fiscal year 2007, the bonds were "refunded." The debt service payment schedules for the districts that chose to bond have changed. However, the refunding did not change the total payments for any of the borrowers.

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2007

NOTE G - LONG TERM DEBT (Continued)

DURANT BOND

Fiscal Year	May 15 Interest	May 15 Principal	Total
2008-2009	\$ 57,604	\$ 148,692	\$ 206,296
2009-2010	5,213	25,491	30,704
2010-2011	3,999	26,705	30,704
2011-2012	2,727	27,975	30,702
2012-2013	1,395	29,307	30,702
	<u>\$ 70,938</u>	<u>\$ 258,170</u>	<u>\$ 329,108</u>

The following is a summary of the changes in the general long-term debt for the year ended June 30, 2007:

	Balance June 30, 2006	Increase	Decrease	Balance June 30, 2007	Current Portion
Durant Bond	\$ 258,170	\$ 0	\$ 0	\$ 258,170	\$ 22,166
Installment Loan	95,130	0	39,119	56,011	39,411
	<u>353,300</u>	<u>0</u>	<u>39,119</u>	<u>314,181</u>	<u>\$ 61,577</u>
Accrued Interest	3,937	0	2,531	1,406	
Accrued Benefits	441,166	29,442	0	470,608	
TOTAL	<u>\$ 798,403</u>	<u>\$ 29,442</u>	<u>\$ 41,650</u>	<u>\$ 786,195</u>	

As of June 30, 2007, the aggregate maturities of long-term debt are as follows:

Fiscal Year	Interest	Principal	Total
2007-2008	\$ 2,410	\$ 41,313	\$ 43,723
2008-2009	58,021	163,390	221,411
2009-2010	5,213	25,491	30,704
2010-2011	3,999	26,705	30,704
2011-2012	2,727	27,975	30,702
2012-2013	1,395	29,307	30,702
TOTAL	<u>\$ 73,765</u>	<u>\$ 314,181</u>	<u>\$ 387,946</u>

NOTE H - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Substantially all of the District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPSERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment Plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of creditable service; or at age sixty with at least 10 years of credited service; or after attaining age 60 with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2007

NOTE H - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Continued)

Employees who did not elect the MIP option fall under the MPSERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or attaining age fifty-five with thirty or more years of credited service; or attaining age fifty-five while still working at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPSERS also provides death, disability, health, medical, dental, vision, and hearing insurance coverage. Benefits are established by state statute.

The District was required by the state statute to contribute 16.34% of covered compensation through September 30, 2006 and 17.74% of covered compensation to the Plan for the remainder of the year. The total amount contributed to the Plan for the year ended June 30, 2007 was \$583,345 and equal the required contributions.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employees' service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPSERS' fund status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among PERS and employers. The MPSERS does not make separate measurements of assets and pension benefit obligations for individual districts.

As of September 30, 2006 for the MPSERS as a whole, the actuarial accrued liability was \$48.2 billion. The pension plan net assets were \$43 billion, resulting in a ratio of assets at market value to the actuarial accrued liability of 89%. Employer contributions are based upon level-percent-of-payroll principles so that the contribution rates do not have to increase over decades of time. The District's 2006 contribution represented less than 1% of total contributions required of all participating entities.

Ten year historical trend information showing the MPSERS' progress in accumulating sufficient assets to pay benefits when due is presented in the MPSERS' September 30, 2006 annual report.

The State of Michigan is responsible for the payment of retirement benefits.

Retirees have the option of health coverage which is funded on a cash disbursement basis by the employer. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

1. Retirees not yet eligible for Medicare coverage pay an annual amount equal to Medicare Part B premiums.
2. Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with the vested deferred benefits, are eligible for partially employer paid health benefit coverage (no payment if less than 21 years of service).

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2007

NOTE I - SELF-FUNDED EMPLOYEE DENTAL PLAN

Beginning December 1, 1994 the Copper Country Intermediate School District decided to stop carrying commercial dental insurance for its employees because of its prohibitive cost and began covering all claim settlements out of its general fund resources. Claims, expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses included an estimate of claims incurred but not reported. At June 30, 2007, the amount of these liabilities was \$1,819. This liability is the District's best estimate based on information available.

Changes in the reported liability since June 30, 2006, resulted from the following:

Liability at June 30, 2006	\$ 15,707
Current year claims and changes in estimates	50,050
Claim payments	(63,938)
Liability at June 30, 2007	<u>\$ 1,819</u>

NOTE J - FOUNDATION REVENUE

The State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts.

NOTE K - CONTINGENT LIABILITIES (RISK POOL)

Copper Country Intermediate School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. Copper Country Intermediate School District joined together with other school districts currently operating a common risk management and insurance program. Copper Country Intermediate School District pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event.

Copper Country Intermediate School District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The District is unable to provide an estimate of the amounts of additional assessments.

The MASB-SEG Property & Casualty Pool has published its own financial report for the year ended June 30, 2007, which can be obtained through the District.

REQUIRED SUPPLEMENTAL FINANCIAL INFORMATION

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(GAAP Basis)</u>	<u>Final to Actual</u>
REVENUES:				
Local sources	\$ 651,918	\$ 690,890	\$ 674,290	\$ (16,600)
State sources	1,375,221	1,455,245	1,294,340	(160,905)
Federal sources	778,657	1,037,253	758,461	(278,792)
TOTAL REVENUE	<u>2,805,796</u>	<u>3,183,388</u>	<u>2,727,091</u>	<u>(456,297)</u>
EXPENDITURES:				
Instruction	684,172	833,027	657,844	175,183
Supporting services	2,930,529	2,704,712	2,305,463	399,249
TOTAL EXPENDITURES	<u>3,614,701</u>	<u>3,537,739</u>	<u>2,963,307</u>	<u>574,432</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(808,905)	(354,351)	(236,216)	118,135
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	-	(45,583)	(45,583)	-
Transfers from other districts	833,334	882,891	837,773	(45,118)
Transfers to other districts	(104,429)	(574,192)	(543,886)	30,306
Other transactions and transfers	-	40,200	20,544	(19,656)
Proceeds from sale of assets	-	7,000	6,987	(13)
Facilities acquisition	-	(45,000)	(44,273)	727
Loan payments	-	(38,950)	(38,927)	23
Total other financing sources (uses)	<u>728,905</u>	<u>226,366</u>	<u>192,635</u>	<u>(33,731)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (80,000)</u>	<u>\$ (127,985)</u>	(43,581)	<u>\$ (84,404)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>974,885</u>	
FUND BALANCE - END OF YEAR			<u>\$ 931,304</u>	

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - SPECIAL EDUCATION

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance
	Original	Final	(GAAP Basis)	Final to Actual
REVENUES:				
Local sources	\$ 1,568,580	\$ 1,630,958	\$ 1,683,621	\$ 52,663
State sources	1,207,300	1,219,581	1,218,367	(1,214)
Federal sources	1,851,340	1,836,298	1,532,099	(304,199)
TOTAL REVENUE	4,627,220	4,686,837	4,434,087	(252,750)
EXPENDITURES:				
Instruction	1,596,966	1,498,310	1,309,407	188,903
Supporting services	2,647,954	2,897,787	2,683,456	214,331
TOTAL EXPENDITURES	4,244,920	4,396,097	3,992,863	403,234
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	382,300	290,740	441,224	150,484
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	(16,540)	(16,540)	(16,540)	-
Transfers from other districts	-	15,800	10,840	(4,960)
Transfers to other districts	(349,760)	(427,000)	(426,763)	237
Facilities acquisition	(90,000)	(90,000)	(55,177)	34,823
Total other financing sources (uses)	(456,300)	(517,740)	(487,640)	30,100
NET CHANGE IN FUND BALANCE	\$ (74,000)	\$ (227,000)	(46,416)	\$ (180,584)
FUND BALANCE - BEGINNING OF YEAR			555,670	
FUND BALANCE - END OF YEAR			\$ 509,254	

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
REGIONAL MEDIA EDUCATIONAL CENTER FUND
BUDGETARY COMPARISON SCHEDULE - REMC
For the Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(GAAP Basis)</u>	<u>Final to Actual</u>
REVENUES:				
Local sources	\$ 161,814	\$ 470,146	\$ 469,113	\$ (1,033)
State sources	82,255	82,335	82,335	-
Federal sources	7,144	3,380	3,380	-
TOTAL REVENUE	<u>251,213</u>	<u>555,861</u>	<u>554,828</u>	<u>(1,033)</u>
EXPENDITURES:				
Instruction	238,310	302,510	283,617	18,893
Supporting services	623,255	768,060	732,017	36,043
TOTAL EXPENDITURES	<u>861,565</u>	<u>1,070,570</u>	<u>1,015,634</u>	<u>54,936</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(610,352)	(514,709)	(460,806)	(53,903)
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	56,123	56,123	56,123	-
Transfers from other school districts	554,229	389,391	395,493	6,102
Proceeds for sale of assets	-	725	721	(4)
Total other financing sources (uses)	<u>610,352</u>	<u>446,239</u>	<u>452,337</u>	<u>6,098</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (68,470)</u>	<u>(8,469)</u>	<u>\$ (60,001)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>276,831</u>	
FUND BALANCE - END OF YEAR			<u>\$ 268,362</u>	

SUPPLEMENTAL FINANCIAL INFORMATION

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
Year Ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2006</u>
REVENUES:				
Local sources:				
Property tax	\$ 336,910	\$ 337,811	\$ (901)	\$ 317,163
Other Taxes	16,000	5,850	10,150	19,293
Interest on delinquent taxes	1,300	1,188	112	1,017
Earnings from investments and deposits	42,000	42,393	(393)	33,653
Contributions	-	200	(200)	-
Rentals	84,500	71,399	13,101	69,228
Miscellaneous	210,180	215,449	(5,269)	192,020
Total local sources	<u>690,890</u>	<u>674,290</u>	<u>16,600</u>	<u>632,374</u>
State sources:				
State Aid - Unrestricted	516,238	516,239	(1)	500,716
Restricted grants	939,007	778,101	160,906	814,130
Total state sources	<u>1,455,245</u>	<u>1,294,340</u>	<u>160,905</u>	<u>1,314,846</u>
Federal sources:				
Pep Grant	592,578	439,399	153,179	296,076
Drug Free Schools	109,097	109,097	-	42,032
Technical Preparation	29,129	26,677	2,452	32,626
Building Bridges	98,309	44,414	53,895	53,146
Perkins	72,115	68,033	4,082	80,854
Other federal sources	136,025	70,841	65,184	98,696
Total federal sources	<u>1,037,253</u>	<u>758,461</u>	<u>278,792</u>	<u>603,430</u>
TOTAL REVENUES	<u>3,183,388</u>	<u>2,727,091</u>	<u>456,297</u>	<u>2,550,650</u>
EXPENDITURES:				
Instructional Services:				
Instruction:				
High School	309,460	294,755	14,705	282,040
Adult	40,455	27,765	12,690	30,054
Great Starts	44,106	16,616	27,490	29,701
Total Instruction	<u>394,021</u>	<u>339,136</u>	<u>54,885</u>	<u>341,795</u>
Added Needs:				
Career and Technical Education	439,006	318,708	120,298	287,260
Total Added Needs	<u>439,006</u>	<u>318,708</u>	<u>120,298</u>	<u>287,260</u>
Total Instructional Services	<u>833,027</u>	<u>657,844</u>	<u>175,183</u>	<u>629,055</u>

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (CONTINUED)
Year Ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2006</u>
Supporting Services:				
Pupil Services:				
Truancy/Absenteeism Services	30,190	30,113	77	44,279
Social Work Services	47,178	47,178	-	59,364
Other Pupils Services	50,892	43,348	7,544	40,106
Total Pupil Services	<u>128,260</u>	<u>120,639</u>	<u>7,621</u>	<u>143,749</u>
Instructional Staff:				
Improvement of Instruction	967,984	668,283	299,701	672,442
Supervision & Direction	14,725	5,560	9,165	26,154
Academic Student Assessment	79,300	79,293	7	-
Other Instructional Staff Services	610,977	574,919	36,058	506,192
Total Staff Services	<u>1,672,986</u>	<u>1,328,055</u>	<u>344,931</u>	<u>1,204,788</u>
General Administration:				
Board of Education	58,000	52,246	5,754	54,517
Executive Administration	269,625	267,423	2,202	251,677
Total General Administration Services	<u>327,625</u>	<u>319,669</u>	<u>7,956</u>	<u>306,194</u>
Business Services:				
Fiscal Services	229,420	222,666	6,754	222,920
Internal Services	88,965	79,497	9,468	104,229
Other Business Services	32,770	30,329	2,441	20,663
Total Business Services	<u>351,155</u>	<u>332,492</u>	<u>18,663</u>	<u>347,812</u>
Operation and Maintenance	<u>209,060</u>	<u>201,897</u>	<u>7,163</u>	<u>189,784</u>
Central Support Services	<u>15,626</u>	<u>2,711</u>	<u>12,915</u>	<u>6,492</u>
Total Supporting Services	<u>2,704,712</u>	<u>2,305,463</u>	<u>399,249</u>	<u>2,198,819</u>
TOTAL EXPENDITURES	<u>3,537,739</u>	<u>2,963,307</u>	<u>574,432</u>	<u>2,827,874</u>
Excess (deficiency) of revenue over expenditures	<u>(354,351)</u>	<u>(236,216)</u>	<u>(118,135)</u>	<u>(277,224)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from sale of assets	7,000	6,987	13	-
Operating transfers in (out)	(45,583)	(45,583)	-	(51,952)
Other incoming transfers	882,891	837,773	45,118	800,540
Other outgoing transfers	(574,192)	(543,886)	(30,306)	(498,290)
Other transactions	40,200	20,544	19,656	-
Facilities acquisition	(45,000)	(44,273)	(727)	(38,978)
Loan payments	(38,950)	(38,927)	(23)	(37,148)
Total other financing sources (uses)	<u>226,366</u>	<u>192,635</u>	<u>33,731</u>	<u>174,172</u>

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (CONTINUED)
Year Ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2006</u>
Excess (deficiency) of revenues and others financing sources over expenditures expenditures and other financing uses	<u>\$ (127,985)</u>	(43,581)	<u>\$ (84,404)</u>	(103,052)
FUND BALANCE, BEGINNING OF YEAR		<u>974,885</u>		<u>1,077,937</u>
FUND BALANCE, END OF YEAR		<u>\$ 931,304</u>		<u>\$ 974,885</u>

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
SPECIAL EDUCATION FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
Year Ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2006</u>
REVENUES:				
Local sources:				
Property tax	\$ 1,478,055	\$ 1,475,328	\$ 2,727	\$ 1,429,818
Interest on delinquent taxes	5,000	4,766	234	4,119
Earnings from investments and deposits	42,000	45,594	(3,594)	42,253
Other revenue	105,903	157,933	(52,030)	118,972
Total local sources	<u>1,630,958</u>	<u>1,683,621</u>	<u>(52,663)</u>	<u>1,595,162</u>
State sources:				
Restricted - State Aid	<u>1,219,581</u>	<u>1,218,367</u>	<u>1,214</u>	<u>1,194,464</u>
Total state sources	<u>1,219,581</u>	<u>1,218,367</u>	<u>1,214</u>	<u>1,194,464</u>
Federal sources:				
Medicaid Outreach	45,000	51,908	(6,908)	139,345
State Initiated Preschool Incentive	44,548	44,548	-	45,476
State Initiated EOSD	45,000	45,000	-	45,000
Autism Grant	2,302	2,348	(46)	3,352
Early On	95,273	95,273	-	130,803
Transition Grant	63,000	61,426	1,574	66,844
Flow Through	1,541,175	1,231,596	309,579	1,274,951
Other federal sources	-	-	-	3,000
Total federal sources	<u>1,836,298</u>	<u>1,532,099</u>	<u>304,199</u>	<u>1,708,771</u>
TOTAL REVENUES	<u>4,686,837</u>	<u>4,434,087</u>	<u>252,750</u>	<u>4,498,397</u>
EXPENDITURES:				
Instructional Services				
Added Needs:				
Special Education	<u>1,498,310</u>	<u>1,309,407</u>	<u>188,903</u>	<u>1,332,377</u>
Supporting Services:				
Pupil Services:				
Health Services	170,290	160,714	9,576	150,197
Psychological Services	241,943	236,419	5,524	219,812
Speech Pathology and Audiology Services	494,405	482,039	12,366	457,774
Teacher Consultants	616,503	550,370	66,133	317,742
Other Pupils Services	<u>156,505</u>	<u>95,716</u>	<u>60,789</u>	<u>247,605</u>
Total Pupil Services	<u>1,679,646</u>	<u>1,525,258</u>	<u>154,388</u>	<u>1,393,130</u>

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
SPECIAL EDUCATION FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (CONTINUED)
Year Ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2006</u>
Staff Services:				
Improvement of Instruction	2,302	2,348	(46)	-
Supervision & Direction	<u>405,238</u>	<u>387,625</u>	<u>17,613</u>	<u>394,622</u>
Total Staff Services	<u>407,540</u>	<u>389,973</u>	<u>17,567</u>	<u>394,622</u>
Office of the Principal	158,275	149,211	9,064	119,108
Other Business Services	59,300	55,769	3,531	40,836
Operation and Maintenance	124,255	117,750	6,505	133,325
Pupil Transportation	324,305	305,135	19,170	279,525
Central Support Services	<u>144,466</u>	<u>140,360</u>	<u>4,106</u>	<u>178,771</u>
Total Supporting Services	<u>2,897,787</u>	<u>2,683,456</u>	<u>214,331</u>	<u>2,539,317</u>
TOTAL EXPENDITURES	<u>4,396,097</u>	<u>3,992,863</u>	<u>403,234</u>	<u>3,871,694</u>
Excess (deficiency) of revenue over expenditures	290,740	441,224	(150,484)	626,703
OTHER FINANCING SOURCES (USES):				
Incoming transfers - other schools	15,800	10,840	4,960	6,500
Facilities acquisition	(90,000)	(55,177)	(34,823)	-
Other outgoing transfers	(427,000)	(426,763)	(237)	(560,529)
Operating transfer in (out)	<u>(16,540)</u>	<u>(16,540)</u>	<u>-</u>	<u>(5,000)</u>
Total other financing sources (uses)	<u>(517,740)</u>	<u>(487,640)</u>	<u>(30,100)</u>	<u>(559,029)</u>
Excess (deficiency) of revenues and others financing sources over expenditures expenditures and other financing uses	<u>\$ (227,000)</u>	(46,416)	<u>\$ (180,584)</u>	67,674
FUND BALANCE, BEGINNING OF YEAR		<u>555,670</u>		<u>487,996</u>
FUND BALANCE, END OF YEAR		<u>\$ 509,254</u>		<u>\$ 555,670</u>

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
REGIONAL MEDIA EDUCATIONAL CENTER FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Year Ended June 30, 2007

REVENUES:	Budget	Actual	Variance	2006
Local sources:				
Merchandise sales	\$ 162,705	\$ 163,986	\$ 1,281	\$ 180,024
Interest	4,000	3,886	(114)	396
Miscellaneous	303,441	301,241	(2,200)	259,155
Total local sources	470,146	469,113	1,033	439,575
State sources	82,335	82,335	-	79,860
Federal sources:				
Title V	3,380	3,380	-	7,144
Total federal sources	3,380	3,380	-	7,144
TOTAL REVENUES	555,861	554,828	(1,033)	526,579
EXPENDITURES:				
Educational media services	302,510	283,617	18,893	223,474
Distance Learning Consortium	768,060	732,017	36,043	641,715
TOTAL EXPENDITURES	1,070,570	1,015,634	54,936	865,189
Excess (deficiency) of revenue over expenditures	(514,709)	(460,806)	(53,903)	(338,610)
OTHER FINANCING SOURCES (USES)				
Proceeds for sale of assets	725	721	(4)	-
Transfers from other school districts	389,391	395,493	6,102	349,292
Operating transfers in (out)	56,123	56,123	-	51,952
	446,239	452,337	(6,098)	401,244
Excess (deficiency) of revenues and others financing sources over expenditures expenditures and other financing uses	\$ (68,470)	(8,469)	\$ (60,001)	62,634
FUND BALANCE, BEGINNING OF YEAR		276,831		214,197
FUND BALANCE, END OF YEAR		\$ 268,362		\$ 276,831

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
SCHOOL FOOD SERVICE FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
Year Ended June 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>2006</u>
REVENUES:				
Local sources:				
Adult lunches	\$ -	\$ 515	\$ (515)	\$ 637
Student lunches	1,000	646	354	647
Interest	-	-	-	1
Total local sources	<u>1,000</u>	<u>1,161</u>	<u>(161)</u>	<u>1,285</u>
State sources	<u>-</u>	<u>104</u>	<u>(104)</u>	<u>104</u>
Federal sources:				
School lunch program	<u>10,000</u>	<u>8,259</u>	<u>1,741</u>	<u>11,031</u>
Total federal sources	<u>10,000</u>	<u>8,259</u>	<u>1,741</u>	<u>11,031</u>
TOTAL REVENUES	<u>11,000</u>	<u>9,524</u>	<u>1,476</u>	<u>12,420</u>
EXPENDITURES:				
Purchase services	6,000	5,315	685	4,860
Supplies, materials, and other	<u>11,000</u>	<u>11,288</u>	<u>(288)</u>	<u>11,802</u>
TOTAL EXPENDITURES	<u>17,000</u>	<u>16,603</u>	<u>397</u>	<u>16,662</u>
Excess (deficiency) of revenue over expenditures	(6,000)	(7,079)	1,079	(4,242)
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	<u>6,000</u>	<u>6,000</u>	<u>-</u>	<u>5,000</u>
Excess (deficiency) of revenues and others financing sources over expenditures expenditures and other financing uses	<u>\$ -</u>	<u>(1,079)</u>	<u>\$ 1,079</u>	<u>758</u>
FUND BALANCE, BEGINNING OF YEAR		<u>1,084</u>		<u>326</u>
FUND BALANCE, END OF YEAR		<u>\$ 5</u>		<u>\$ 1,084</u>

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT

FEDERAL AWARDS



Bruce A Rukkila, CPA, PC



310 Sheldon Avenue • Houghton MI 49931
(906) 482-6601 • Fax: (906) 482-9046
e-mail: help@brucerukkila.com
www.bruцерukkila.com

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Education
Copper Country Intermediate School District
Hancock, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Copper Country Intermediate School District as of and for the year then ended June 30, 2007, which collectively comprise the Copper Country Intermediate School District's basic financial statements and have issued our report thereon dated October 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Copper Country Intermediate School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Copper Country Intermediate School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Copper Country Intermediate School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Copper Country Intermediate School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Copper Country Intermediate School District's financial statements is more than inconsequential and will not be prevented or detected by the Copper Country Intermediate School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Copper Country Intermediate School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Copper Country Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the Copper Country Intermediate School District in a separate letter dated October 30, 2007.

This report is intended solely for the information and use of the District's board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bruce A. Rukhila, CPA, PC

Certified Public Accountants

October 30, 2007



Bruce A Rukkila, CPA, PC



310 Sheldon Avenue • Houghton MI 49931
(906) 482-6601 • Fax: (906) 482-9046
e-mail: help@brucerukkila.com
www.bruцерukkila.com

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
Copper Country Intermediate School District
Hancock, Michigan

Compliance

We have audited the compliance of the Copper Country Intermediate School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The Copper Country Intermediate School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Copper Country Intermediate School District's management. Our responsibility is to express an opinion on the Copper Country Intermediate School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether a noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Copper Country Intermediate School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Copper Country Intermediate School District's compliance with those requirements.

In our opinion, the Copper Country Intermediate School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Copper Country Intermediate School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Copper Country Intermediate School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Copper Country Intermediate School District's internal control over compliance.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Copper Country Intermediate School District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Copper Country Intermediate School District as of and for the year then ended June 30, 2007, and have issued our report thereon dated October 30, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Copper Country Intermediate School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the District's board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

October 30, 2007

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2007

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2006	Prior Year Expenditures	Current Year Cash Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2007	Amount Provided to Subrecipients
<i>U.S. Department of Education:</i>								
Carol M. White Physical Education Program Q215F050086	84.215F	\$ 592,578	\$ 16,076	\$ 16,076	\$ 453,930	\$ 439,399	\$ 1,545	\$ 0
Passed through Michigan Department of Education Handicapped Preschool & School Program								
070450 0405 PL 94-142 Flow Through	84.027	1,237,299	0	0	915,000	927,720	12,720	0
060450 0506 PL 94-142 Flow Through	84.027	1,233,841	4,965	4,965	308,841	303,876	0	0
070480 EOSD State Initiated/Department	84.027	45,000	0	0	45,000	45,000	0	0
070490 TS Idea State Initiated/Department	84.027	60,000	0	0	60,000	60,000	0	0
		2,576,140	4,965	4,965	1,328,841	1,336,596	12,720	0
070460 0506 Pre-School	84.173	44,548	0	0	44,548	44,548	0	0
061340 0190 Infant & Families	84.181	88,898	22,471	22,471	36,898	14,427	0	0
051340 0190 Infant & Families	84.181	80,846	0	0	55,500	80,846	25,346	0
		169,744	22,471	22,471	92,398	95,273	25,346	0
Federal Safe & Drug Free Schools 062860 0607	84.186	71,446	(6,031)	0	51,446	57,477	0	0
072860 0607	84.186	51,620	0	0	30,000	51,620	21,620	0
		123,066	(6,031)	0	81,446	109,097	21,620	0
Title V Flow Through 070250-0607	84.298	3,380	0	0	3,380	3,380	0	0
Career Guidance 063490	84.048	12,000	0	0	12,000	12,000	0	0
Title IIA Teacher Quality Form	84.367	526	0	0	526	526	0	0
Total Michigan Department of Education		2,929,404	21,405	27,436	1,563,139	1,601,420	59,686	0
Passed Through Gogebic-Ontonagon ISD								
Tech Prep	84.243	29,129	0	0	22,092	26,677	4,585	0
Tech Prep	84.243	32,626	13,824	13,824	13,824	0	0	0
Vocational Education - Perkins III 063520	84.048	80,854	16,371	16,371	16,371	0	0	0
Vocational Education - Perkins III	84.048	72,115	0	0	57,402	68,033	10,631	0
Total Gogebic-Ontonagon ISD		214,724	30,195	30,195	109,689	94,710	15,216	0

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**(Continued)
Year Ended June 30, 2007**

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2006	Prior Year Expenditures	Current Year Cash Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2007	Amount Provided to Subrecipients
Passed Through Marquette Alger RESA UP Cares Grant - Autism Project Classrooms that Click	84.027A 84.318	2,348 26,262 28,610	0 0 0	0 0 0	2,348 0 2,348	2,348 2,644 4,992	0 2,644 2,644	0 0 0
Passed Through Dickinson-Iron ISD Building Bridges Building Bridges Building Bridges	84.215X 84.215X 84.215X	52,750 55,575 42,734 151,059	24,200 0 3,976 28,176	24,200 0 3,976 28,176	24,200 21,556 16,382 62,138	0 21,685 22,729 44,414	0 129 10,323 10,452	0 0 0 0
Passed Through Michigan Rehabilitation TS Idea State Initiated/Department	84.027	1,426	0	0	1,426	1,426	0	0
Passed Through Public Consulting Group Medicaid Outreach	93.778	51,908	0	0	51,908	51,908	0	1,499
Total U.S. Department of Education		3,969,709	95,852	101,883	2,244,578	2,238,269	89,543	1,499
<i>U.S. Department of Agriculture:</i> Passed Through Michigan Department of Education National School Lunch Program 71950 Section 4 - All Lunches 61950 Section 4 - All Lunches 71960 Section 11 - Free & Reduced 61960 Section 11 - Free & Reduced 71970 Breakfast 61970 Breakfast	10.555 10.555 10.555 10.555 10.553 10.553	435 892 3,739 4,654 9,720 2,097 3,422 5,519 1,076 16,315	0 133 0 162 295 0 226 226 0 521	0 133 0 162 295 0 226 226 0 521	435 197 3,739 678 5,049 2,097 558 2,655 1,076 8,780	435 64 3,739 516 4,754 2,097 332 2,429 1,076 8,259	0 0 0 0 0 0 0 0 0 0	0 0 0 0 0 0 0 0 0 0
Food Distributions- Entitlement Commodities Total U.S. Department of Agriculture	10.550	15,700	(9,666)	0	1,500	3,750	(7,416)	0
<i>U.S. Department of the Interior:</i> Keweenaw National Historical Park	15.999	15,700	(9,666)	0	1,500	3,750	(7,416)	0

**COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

(Continued)
Year Ended June 30, 2007

Federal Grantor Program Title	Federal CFDA Number	Approved Grant Award Amount	Accrued (Deferred) Revenue July 1, 2006	Prior Year Expenditures	Current Year Cash Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2007	Amount Provided to Subrecipients
<i>U.S. Department of Labor:</i>								
Passed Through Western U.P. Manpower Consortium	17.250	24,050	0	0	24,050	24,050	0	0
Workforce Investment Act (WIA)	17.250	4,025	0	0	4,025	4,025	0	0
Workforce Investment Act (WIA)								
Total U.S. Department of Labor		28,075	0	0	28,075	28,075	0	0
<i>Corporation of National and Community Service(CNCS):</i>								
Passed Through Michigan Community Service Commission	94.004	26,154	0	0	23,846	23,846	0	0
Learn and Serve	94.004	26,154	5,483	5,483	5,483	0	0	0
Learn and Serve								
Total CNCS		52,308	5,483	5,483	29,329	23,846	0	0
TOTALS		\$ 4,082,107	\$ 92,190	\$ 107,887	\$ 2,312,262	\$ 2,302,199	\$ 82,127	\$ 1,499

The accompanying notes to financial statements are an integral part of this statement.

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
PROVIDED TO SUB-RECIPIENTS
Year Ended June 30, 2007

<u>Program Title/Sub-recipients</u>	<u>CFDA Number</u>	<u>Grant Award</u>	<u>Amount Transferred</u>
Medicaid Outreach	93.778		
Arvon Township School District		\$ 543	\$ 543
Elm River Township School		623	623
Grant Township Schools		333	333
		<u>1,499</u>	<u>1,499</u>
		<u>\$ 1,499</u>	<u>\$ 1,499</u>

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - June 30, 2007

NOTE A - OVERSIGHT AGENCY

The U. S. Department of Education is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the school's expenditures of federal awards.

NOTE B - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

NOTE C - FINAL COST REPORT - FORM DS4044

The final cost reports are not due until 60 days after the end of the grant period. The reports for the current year grants were not completed as of the date of our report. However, we reviewed the reports filed for the prior year grants and noted that they agreed with either the prior year audited figures or the prior year and current year audit figures combined.

NOTE D - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS RECONCILIATION

A reconciliation of expenditures on the Schedule of Expenditures of Federal Awards to federal revenue recognized on page 17 of these financial statements is \$2,302,199. The amounts reported as current payments on the MDE grant reports reconcile with the Schedule of Expenditures of Federal Awards as follows:

Total current payments per MDE reports	\$ 2,608,468
Prior year grants reported	(1,050,146)
Prior year accrued/deferred grant revenue	(21,405)
Payments received through other sources	693,596
Accrued/deferred grant revenue	71,686
Schedule of Expenditures of Federal Awards	<u>\$ 2,302,199</u>

COPPER COUNTRY INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2007

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal Control over financial reporting:

- Material weakness(es) identified? No
- Reportable condition(s) identified that are not considered to be material weaknesses? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Reportable condition(s) identified that are not considered to be material weaknesses? None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 520(a) of Circular A-133? No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.215F	Carol M. White Physical Education Program
84.048	Vocational Education (Perkins III)
84.186	Safe and Drug-Free Schools and Communities

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

SECTION II - FINANCIAL STATEMENT FINDINGS

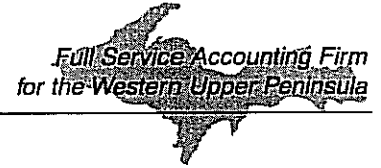
No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



Bruce A Rukkila, CPA, PC



310 Sheldon Avenue • Houghton MI 49931
(906) 482-6601 • Fax: (906) 482-9046
e-mail: help@brucerukkila.com
www.brucerukkila.com

LETTER OF COMMENTS AND RECOMMENDATIONS

Board of Education
Copper Country Intermediate School District
Hancock, Michigan

In connection with our audit of the financial statements of the Copper Country Intermediate School District, as of and for the year ended June 30, 2007, the following concerns regarding the accounting records, procedures, and internal control structure came to our attention.

Our comments are based upon conditions noted during our audit and are not intended to be all inclusive. These comments are submitted as constructive suggestions to assist you in strengthening controls and procedures and are not intended to reflect on the honesty or integrity of any individual.

Public Act 621 - Budget Over Expenditures

Public Act 621 of 1978, as amended, prohibits expenditures in excess of budgeted appropriations. Instances of violations of these provisions are readily ascertainable from the financial statements and the accompanying information. There were no material overages in the individual budgeted funds.

We would like to thank the administrative staff for the cooperation we received during our audit. We appreciate the opportunity to present these comments and recommendations for your consideration and we are prepared to discuss them at your convenience.

It has been a pleasure to provide audit services to the Copper Country Intermediate School District. Management was prepared for the audit, providing us with all supporting documents requested. Management was friendly, conscientious and very helpful.

We appreciate your business, thank you.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

October 30, 2007